DOCUMENT RESUME

ED 228 480 CE 035 674

AUTHOR	Ashmore, M. Catherine; Pritz, Sandra G.
TITLE	Determining Your Potential as an Entrepreneur. PACE Revised. Level 1. Unit 2. Research & Development Series No. 240AB2.
INSTITUTION	Ohio State Univ., Columbus. National Center for Research in Vocational Education.
SPONS AGENCY	Office of Vocational and Adult Education (ED), Washington, DC.
PUB DATE	83
CONTRACT	300-78-0032
NOTE	17p.; For related documents, see CE 035 672-729.
AVAILABLE FROM	National Center Publications, Box F, The Ohio State University, 1960 Kenny Road, Columbus, OH 43210 (Complete set--$120.00; individual levels--$45.00 each; instructors' guides--$14.50 each; resource guide--$7.95; module sets--$35.00 each level; individual modules--$2.50 each).
PUB TYPE	Guides - Classroom Use - Materials (For Learner) (051)
EDRS PRICE	MF01/PC01 Plus Postage.
DESCRIPTORS	Behavioral Objectives; Business Education; Business Skills; Career Choice; Competence; Definitions; *Entrepreneurship; *Individual Characteristics; *Job Skills; Learning Activities; *Personality Traits; Secondary Education; Self Evaluation (Individuals); *Small Businesses; Units of Study; Work Environment
IDENTIFIERS	*Program for Acquiring Competence Entrepreneurship

ABSTRACT

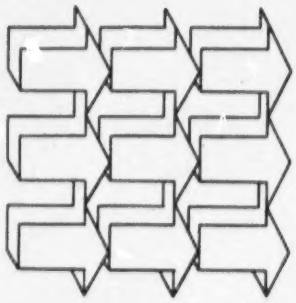
This lesson on determining one's potential as an entrepreneur, the second in a series of 18 units, is part of the first level of a comprehensive entrepreneurship curriculum entitled: A Program for Acquiring Competence in Entrepreneurship (PACE). (Designed for use with secondary students, the first level of PACE introduces students to the concepts involved in entrepreneurship and helps them become aware of entrepreneurship as a career option.) The following topics are covered in the unit: defining entrepreneurship, recognizing the personal qualities and skills needed to be a successful entrepreneur, comparing the advantages of owning a business with the advantages of working for someone else, and assessing one's ability to be a successful entrepreneur. Included in the lesson are instructional text organized in a question-and-answer format, suggested individual and group learning activities, and assessment questions. (MN)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED228480

PACE
REVISED

Program for
Acquiring
Competence in
Entrepreneurship



UNIT 2

- [x] Level 1
- [ ] Level 2
- [ ] Level 3

Determining Your Potential as an Entrepreneur

Developed by M. Catherine Ashmore and Sandra G. Pritz

You will be able to:

- **Define entrepreneurship**
- **Recognize the personal qualities and skills needed to be a successful entrepreneur.**
- **Compare the advantages of owning a business with the advantages of working for someone else.**
- **Assess your own ability to be a successful entrepreneur.**

U.S. DEPARTMENT OF EDUCATION
NATIONAL INSTITUTE OF EDUCATION
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

- [x] This document has been reproduced as received from the person or organization originating it.
- [ ] Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official NIE position or policy.

THE NATIONAL CENTER FOR RESEARCH IN VOCATIONAL EDUCATION
THE OHIO STATE UNIVERSITY
1960 KENNY ROAD · COLUMBUS, OHIO 43210

Research & Development Series No. 240 AB 2

CE035674

BEFORE YOU BEGIN...

1. Consult the *Resource Guide* for instructions if this is your first PACE unit.

2. Read the Unit Objectives on the front cover. If you think you can meet these objectives now, consult your instructor.

3. Look for these business terms as you read this unit. If you need help with their meanings, turn to the Glossary in the *Resource Guide*.

affective skills
balance sheet
cash flow
cognitive skills
liabilities
line of credit
manipulative skills
profit and loss statement
working capital

DETERMINING YOUR POTENTIAL AS AN ENTREPRENEUR

WHAT IS THIS UNIT ABOUT?

In her famous novel, *Atlas Shrugged*, Ayn Rand said:

> If you ask me to name the proudest distinction of Americans, I would choose—because it contains all the others—the fact that they were the people who created the phrase "to make money." No other language or nation had ever used these words before; men had always thought of wealth as a static quantity—to be seized, begged, inherited, shared, looted, or obtained as a favor. Americans were the first to understand that wealth has to be created.[1]

An economy grows when new resources, or factors of production, are put to work. Land, labor, and capital are the three basic factors of production. The fourth is entrepreneurship. Entrepreneurs—those people of vision and originality who create new enterprises or businesses—are the ones who—

- raise money (capital) to run new businesses,
- organize the businesses,
- manage the businesses,
- assemble the other factors of production,
- make business policy decisions.

HOW DO ENTREPRENEURS HELP THE AMERICAN ECONOMY GROW?

America's free enterprise system breeds rugged individualists, like the country's Founding Fathers. Those men drafted a Constitution that guaranteed that Americans would always have the right to own private property. Americans would also have the right to choose freely how to earn, buy, and use their goods and property.

One of the best examples of an American entrepreneur is the inventor, Thomas Edison. In 1878, Edison told people he would invent a light that would not use gas or flame, and in 1879, he invented the electric light bulb. He put on quite a show with the first light bulbs by developing a special electric generator and using it to power 40 light bulbs that he strung up with copper wires around his home town of Menlo Park. His demonstration was a huge success.

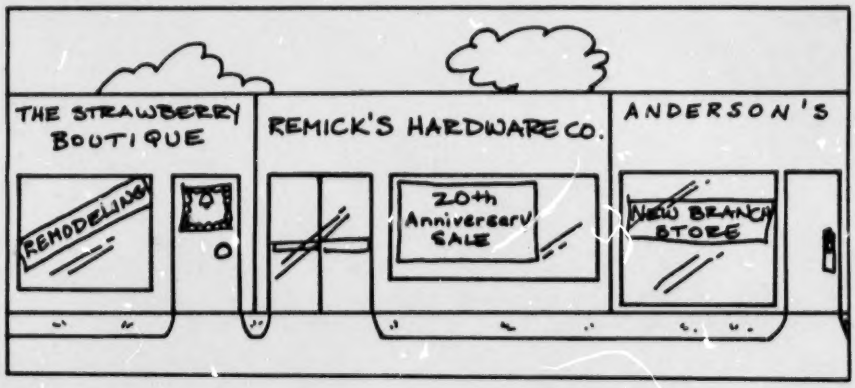
IS ENTREPRENEURSHIP SOMETHING YOU CAN LEARN?

Thomas Edison was a new kind of inventor. He did not work alone, tinkering in his workshop and hoping to discover something new. He believed that invention required organization and planning. He worked with teams of people who followed a coordinated plan to turn out inventions just as regularly as a factory produces goods.

HOW DO PEOPLE'S NEEDS RELATE TO ENTREPRENEURSHIP?

Edison's first invention was a machine that recorded votes via telegraph. He decided to invent the machine when he discovered that it took a long time for Congressman to count up their votes by hand. His voting machine let Congressmen register their votes simply by pressing a button. But Congress didn't buy his machine—they liked doing things the old way. So from then on, Edison made sure that people really would want his inventions before he put time and money into developing them. He invented for the marketplace.

One of the most important elements of being a successful entrepreneur is to understand and anticipate whether or not the marketplace will buy a product or service. In other words, entrepreneurs must be able to guess accurately whether or not people will buy what the entrepreneur has to sell.



THEN WHAT IS ENTREPRENEURSHIP?

Entrepreneurship is a special element of the American economic system that figures out what tomorrow's needs will be, and then produces the goods and services to meet those needs. There is always a risk for entrepreneurs, because they can never be a hundred percent sure about what the needs of the marketplace will be.

IS ENTREPRENEURSHIP ONLY ABOUT PROFIT AND SELFISHNESS?

Because entrepreneurs must always keep in mind that they will fail if they do not make a profit, it sometimes seems that their only motive is greed. Just because they are concerned with money does not mean that they do not also have a social conscience. American capitalism is our country's way of satisfying everyone's basic needs for food, shelter, and clothing. But when these needs are met, people find that they also have other needs—that is, needs for protection, for roads, for transportation, for education, for better health and more comforts, for entertainment, for a better environment, and so forth

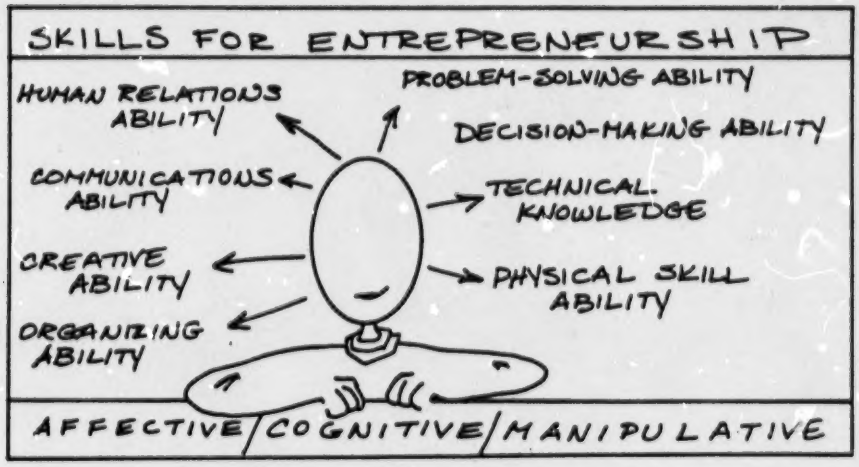
When higher needs are expressed, successful entrepreneurs will meet them.

The needs of the marketplace change with how developed a nation is and how well-off its people are. Today's and tomorrow's entrepreneurs will have to anticipate those changing needs, if they are to be successful. And, the health of our nation, now and in the future, depends on how healthy our economy is. Entrepreneurs are a vital part of our way of life and part of making our lives better.

WHAT SKILLS ARE NEEDED FOR ENTREPRENEURSHIP?

Entrepreneurs need a variety of skills. These skills can be grouped into these categories:

- affective (feeling-based)
- cognitive (knowledge-based)
- manipulative (movement-based)



The skills necessary for successful entrepreneurship are categorized in table 1.

TABLE 1

ENTREPRENEURSHIP EXPERTISE BY TYPE OF SKILLS

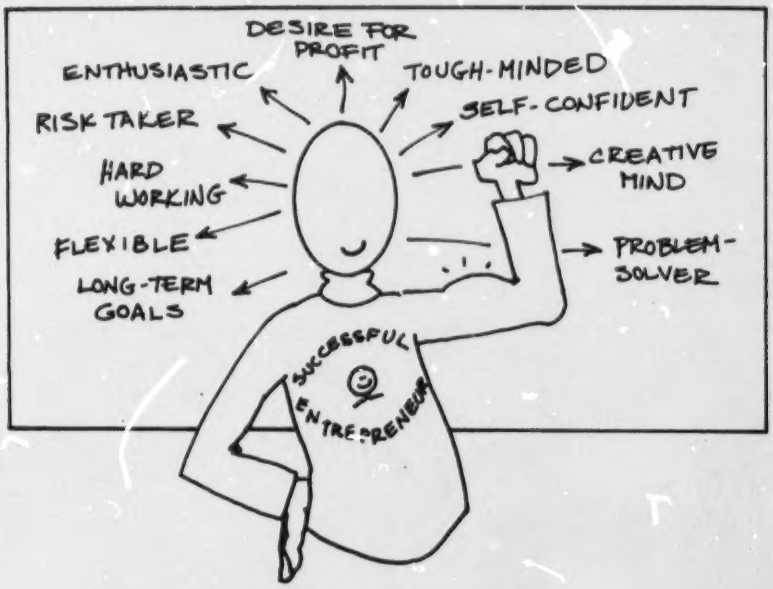
Affective	Cognitive	Manipulative
Human relations ability	Organizing ability	Physical skill ability
Communications ability	Problem-solving ability	
Creative ability	Decision-making ability	
	Technical knowledge	

WHAT ARE THE CHARACTERISTICS OF SUCCESSFUL ENTREPRENEURS?

The personality characteristics of successful entrepreneurs have been analyzed by many experts. But, many of them are quick to point out, the problem with any formula for success as an entrepreneur is that success relies on a unique ability to see "new" patterns. So, you should be careful about evaluating your own entrepreneurial ability based on general established patterns.

The traits that are most often thought to be characteristic of successful entrepreneurs are:

- **A degree of tough-mindedness** that enables entrepreneurs to make and stick by decisions that are based on some amount of intuition. Tough-minded entrepreneurs are not frightened by the unknown. They lead the way for the rest to follow.
- **A willingness to work a little harder** and a little longer. Successful entrepreneurs work not only for rewards, but also for the pleasure of creating the enterprise.
- **A degree of self-confidence** that lets entrepreneurs make firm decisions and keeps them from worrying afterwards. Self-confident entrepreneurs feel that the decision is probably right—but if not, adjustments can make it work.
- **A willingness to take "reasonable" risks.** Entrepreneurs feel that results are controllable, not strictly up to chance.
- **A high degree of flexibility** to meet changing goals, pressures, technologies, and competition. Entrepreneurs feel that their own flexibility will allow a chance to change things if decisions turn out badly.



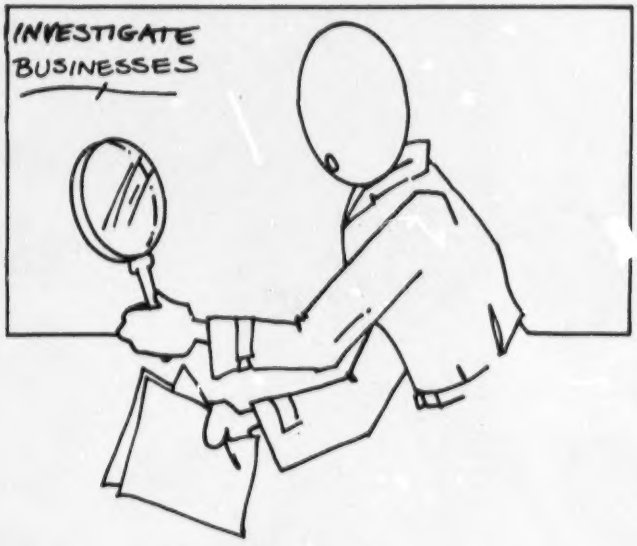
- **A finely tuned sense of the needs of the marketplace,** along with a creative mind. Successful entrepreneurs are quick to spot market needs and to supply products to meet those needs in new and profitable ways.
- **A sense of long-term goals.** Entrepreneurs envision the future possibilities and results of today's efforts.
- **Good problem-solving ability** that uses problems as a road map. Each problem solved helps entrepreneurs chart a course for future success.
- **A desire for profit** with which they measure their successes. Because of the profit motive, entrepreneurs will tend to find an efficient use of resources.
- **An underlying enthusiasm** that keeps up their spirits. Enthusiasm helps successful entrepreneurs maintain the level of creative thinking and focused activity necessary to carry out the successful venture.

HOW CAN YOU LEARN ABOUT OWNING A BUSINESS VERSUS WORKING FOR SOMEONE ELSE?

If you have decided by now that going into business for yourself might be a possible career choice, the first step is to find out as much as you can about entrepreneurship. You could begin by looking around your neighborhood and investigating the successful and not-so-successful businesses. You might ask how long they have been in operation. Do they seem to be doing well? Are they making a profit or are they just hanging on?

Typically, successful entrepreneurs have had successful work experience. For instance, persons going into landscaping should have a fairly good knowledge of seeding, watering, cutting, and light requirements for different types of plants.

What kind of business would you like to own? Do you believe you have some special qualities or knowledge that will make your own business a success? What are your reasons for wanting to go into business? Would you prefer to work for someone else or for yourself? Examine the advantages and disadvantages on both sides of the issue to help you decide.



DO YOU WANT TO BE AN EMPLOYEE?

Being employed for a salary has some advantages. For one thing, it is generally safer to be a salaried employee. As an employee you will probably have less personal financial responsibility or risk. If the business has debts, you won't lose your personal savings—because you are not responsible for the debts. (You would be if you were one of the owners.)

Many employees put in regular hours and are paid overtime if extra work is required. Not all employees, of course, work regular hours; many put in time over and beyond the job's working hours. However, most employees are guaranteed vacation time and fringe benefits, such as life insurance and health plans. Generally speaking, they can count on a somewhat stable life-style. They have a fairly good idea of what their income will be from year to year, as well as what the job requirements will be.

A certain satisfaction can result from working for a successful company. Many people point with pride to the fact that they work for Goodyear or Xerox. Working for large, successful companies does fulfill certain needs.

WHAT ARE AN EMPLOYEE'S DISADVANTAGES?

Being a salaried employee also has a number of disadvantages. Advances in salary may become limited. By the time many people reach the middle of their careers, they are at the top of the salary scale. In some career areas, the older, more experienced, higher-paid employees may be laid off during a recession, while younger, "less expensive" employees are hired. Top management personnel in the aerospace industry lost their jobs in the 1970s when their industry had a major recession. In industries governed by union contracts, all the low seniority employees may be laid off during a recession when there is not enough work. Companies may relocate and require employees to make job transfers. Mandatory retirement is also something to consider.

WHAT ARE SELF-EMPLOYMENT ADVANTAGES?

Self-employment has many advantages. The possibility of making money is an overwhelming reason that people start their own business. There is a chance to make a profit in addition to a reasonable salary. Once the business has been successfully established, there may be financial security. In fact, statistics show that the lifetime earnings of most employees are less than the lifetime earnings of most successful entrepreneurs.

WHAT ARE SOME DISADVANTAGES OF SELF-EMPLOYMENT?

If you talk to entrepreneurs in your community, they can easily tell you some of the disadvantages of self-employment. The risk involved in owning a business may cause real headaches. Economic failure is, of course, the biggest risk of all, and is the greatest disadvantage of self-employment. Being "beaten out" by competition is another factor to consider. Complying with government regulations and standard business practices, working longer (unpaid) hours, and finding the capital to start a business are other possible disadvantages.

IS THE NEED TO ACHIEVE A FACTOR?

Many entrepreneurs put need for achievement first on the list of reasons for starting their own businesses. They have a strong desire to make things happen. They thrive on creative challenges. Such persons are highly motivated. They like to do well, to excel. Psychologists who have studied achievement motivation have found that persons with a high need to achieve enjoy—

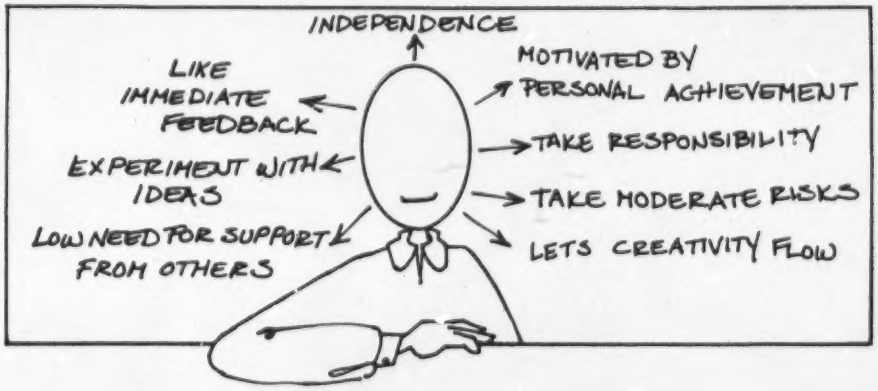
- competition with self-imposed standards,
- competition with others,
- unique accomplishment,
- long-term involvement.

HOW INDEPENDENT ARE YOU?

Persons with this high need to achieve also want to take responsibility for their own successes or failures. They prefer to take moderate risks. They like situations that provide immediate feedback on how well they are doing. They are motivated by a deep sense of personal achievement rather than by recognition from others.

Independence is another motive as well as an advantage of self-employment. Persons who own and operate their own businesses do have more freedom to do what they want. They can experiment with ideas and let their creativity flow.

Many entrepreneurs have a low need for support from others. The need for "a pat on the back" and inspiration from others might be factors that prevent some individuals from leaving a company and striking out on their own. In a study published by *Psychology Today* entrepreneurs were asked what would get them to be a manager or an employee in another company. The majority (almost 60 percent) stated that they would not even consider it. Almost 30 percent set up totally unrealistic conditions, such as a 300 percent increase in salary and complete, total independence. Seventy-two percent of the entrepreneurs said that even if they lost their own companies, they would promptly start a new business.



HOW CREATIVE ARE YOU?

The desire to express creativity and inventiveness are also part of what motivates entrepreneurs. Starting a new business is a creative act. Creativity enters into every part of setting up, planning, marketing, and maintaining a business.

Having a creative imagination is not a sacred possession or birthright of only a few people. Creativity is a talent that can be developed by anyone who is willing to take the risks necessary to see their ideas made into reality.

ARE YOU AN INDEPENDENT, CREATIVE SELF-STARTER?

What are your own qualifications and motives for becoming a successful entrepreneur? Remember that you do not need to have exactly the same traits or desires that successful entrepreneurs are "supposed" to have. While there are certain characteristics of successful entrepreneurs that are common among them, the important thing to realize is that one other common element about entrepreneurs is their uniqueness. If you don't fit neatly into the profile of entrepreneurship traits, it may only mean that you can become the next entrepreneurial genius. The only sure test is to try it!

One way to make good use of the information about the traits and motives of successful entrepreneurs is to use them as a guide for developing your own skills, whether or not they lead you to become an entrepreneur. You will probably find yourself a better person for it. You can make an entrepreneurial, tough-minded decision to get on with the task of gaining new strengths, even though all of the "evidence" for how successful an entrepreneur you may make isn't in yet. The "reasonable" risk that you will take is that you will be able to make the information work for you. Your immediate reward will be bettering yourself, and it may also help you become a successful entrepreneur.

ACTIVITIES

Do you know enough about entrepreneurs to evaluate your own potential? The following activities will help you.

INDIVIDUAL ACTIVITY

List any products you know about that were conceived, designed, manufactured, and brought to the marketplace only to find that there was little or no need or demand for them. Tell why you think this happens. What steps might you take to guard against it?

INDIVIDUAL ACTIVITY

If you were Thomas Edison and had developed the vote recording machine that Congress rejected, how would you have felt? What might you have done to try to "create" or "force" the need for your machine? Write a short description of your reaction to the situation. Remember, if the "need" is forced on Congress, they could probably find other, more subtle ways to make the vote recorder seem inefficient. But perhaps you feel that the public good should come first and you should try to force Congress to use it to improve efficiency. Should you alert the public to Congress's rejection? Why? Are the ethical considerations weighty enough to influence your decision?

INDIVIDUAL ACTIVITY

Make a list of products you would like to have invented and marketed. Give a short reason for each.

INDIVIDUAL ACTIVITY

Examine your responses in the previous activity. Are your reasons for wanting to be responsible for certain products purely personal? Are they related to the "common welfare?" Did you think of profit? Write a short list of how many different motives you might have in any entrepreneurial endeavor.

INDIVIDUAL ACTIVITY

In what area of business management do you think your greatest skills are—affective, cognitive, or manipulative? List several reasons or events that show that you would probably be skilled in that area.

GROUP ACTIVITY

Of all the traits defined as characteristic of entrepreneurs, pick the one you think would be most important. Discuss this with the class. Can you reach a group agreement on it? Do the reasons given by individuals for picking the one most important characteristic reflect only personal feelings? How do you think that would affect the way a business is run? How important do you think an entrepreneur is to the overall success of a business?

GROUP ACTIVITY

Interview a local entrepreneur to discover some of the pros and cons of working for yourself. Ask if there was a specific reason for starting the business. Ask how the person got the business off the ground. Ask what the company goals are. Report about the interview either in writing or in a talk to the class. Decide whether or not you would like to own that business. Tell why or why not.

INDIVIDUAL ACTIVITY

If you were employed by a major corporation in your town, what would your long-term goals be? What position would you want? What work would you like to contribute? What time frame would you use for your goal achievement? List the goals and the approximate dates for their accomplishment. Write a brief description of how accomplishing the goals might change your life-style and your attitudes.

GROUP ACTIVITY

Invite a local entrepreneur to speak to the class on the pros and cons of owning your own business. If the entrepreneur has previously worked for someone else, ask the person to compare being self-employed to being an employee.

GROUP ACTIVITY

Form small groups (four to five students) in the class. Each group should work out a short report describing what kind of company they would start. Each group should select one person as the "owner" of the business and assign the other group members to manage specific functions in the company—production, sales, marketing, customer service, or distribution. The company owner can ask for ideas from each job-function manager that will improve chances for making a profit. Each company owner should make a 5-minute presentation to the class on the nature of the company and the group's ideas for making a profit. The class will vote on the "most likely to succeed" venture.

INDIVIDUAL ACTIVITY

From your participation in the previous activity, write a report on how you felt about the competitiveness within the group and among the various groups. Did you experience a desire for more independence in selecting the kind of business that was presented to the class? Did you agree with the group's decision?

GROUP ACTIVITY

The instructor or leader should pick a common, everyday item, such as a paperweight or a pen. Ask each person to list, in five minutes, every use he or she can think of for the object—not counting its normal use. After five minutes, stop and find out who listed the most uses. The instructor can make a composite list on the board. Notice how some uses can be grouped by categories such as "weapons," "decorations," "tools," "containers," etc. Creativity in entrepreneurial thinking involves being able to see old products or methods in new combinations.

ASSESSMENT

Directions: Read the following questions to check your own knowledge of the information in this unit. When you feel prepared, ask your instructor to test you on them.

1. How does the economy grow?
2. How is entrepreneurship linked with the needs of the marketplace?
3. Can the "common good" be effectively served in an economy based on capitalism?
4. What is entrepreneurship?
5. What three types of skills are needed to run a company successfully?
6. What are some of the personality traits that successful entrepreneurs have?
7. What are some of the advantages of owning your own business?
8. What are some of the disadvantages of self-employment?
9. What are some of the advantages and disadvantages of being an employee?
10. What are some of the major reasons that successful entrepreneurs have for starting their own businesses?
11. Do successful entrepreneurs show a need and a skill for creativity and inventiveness in their jobs? Explain why entrepreneurship offers a place to use these kinds of skills.?
12. List the entrepreneurial skills and traits you have that you've developed through your personal interests, schooling, or job activities.

NOTES

[1]Rand, Ayn. *For the New Intellectual.* New York: Signet, 1961, p. 94.

We thank the above author for permission to reprint from her work.

OTHER SOURCES USED TO DEVELOP THIS UNIT

Baty, Gordon B. *Entrepreneurship for the Eighties.* Reston: Reston Publishing Company, Inc., 1981.

McNair, Malcolm. P. *The Case Method at the Harvard Business School.* New York: McGraw-Hill Book Company, Inc., 1954.

Risjord, Norman, and Haywoode, Terry L. *A History of the U.S. from 1877.* New York: Holt, Rinehart and Winston Publishers, 1979.

For further information, consult the lists of additional sources in the *Resource Guide.*

PACE

Unit 1. Understanding the Nature of Small Business

Unit 2. Determining Your Potential as an Entrepreneur

Unit 3. Developing the Business Plan

Unit 4. Obtaining Technical Assistance

Unit 5. Choosing the Type of Ownership

Unit 6. Planning the Marketing Strategy

Unit 7. Locating the Business

Unit 8. Financing the Business

Unit 9. Dealing with Legal Issues

Unit 10. Complying with Government Regulations

Unit 11. Managing the Business

Unit 12. Managing Human Resources

Unit 13. Promoting the Business

Unit 14. Managing Sales Efforts

Unit 15. Keeping the Business Records

Unit 16. Managing the Finances

Unit 17. Managing Customer Credit and Collections

Unit 18. Protecting the Business

Resource Guide

Instructors' Guide

Units on the above entrepreneurship topics are available at the following three levels:

- Level 1 helps you understand the creation and operation of a business
- Level 2 prepares you to plan for a business in your future
- Level 3 guides you in starting and managing your own business

OSU

The Ohio State University